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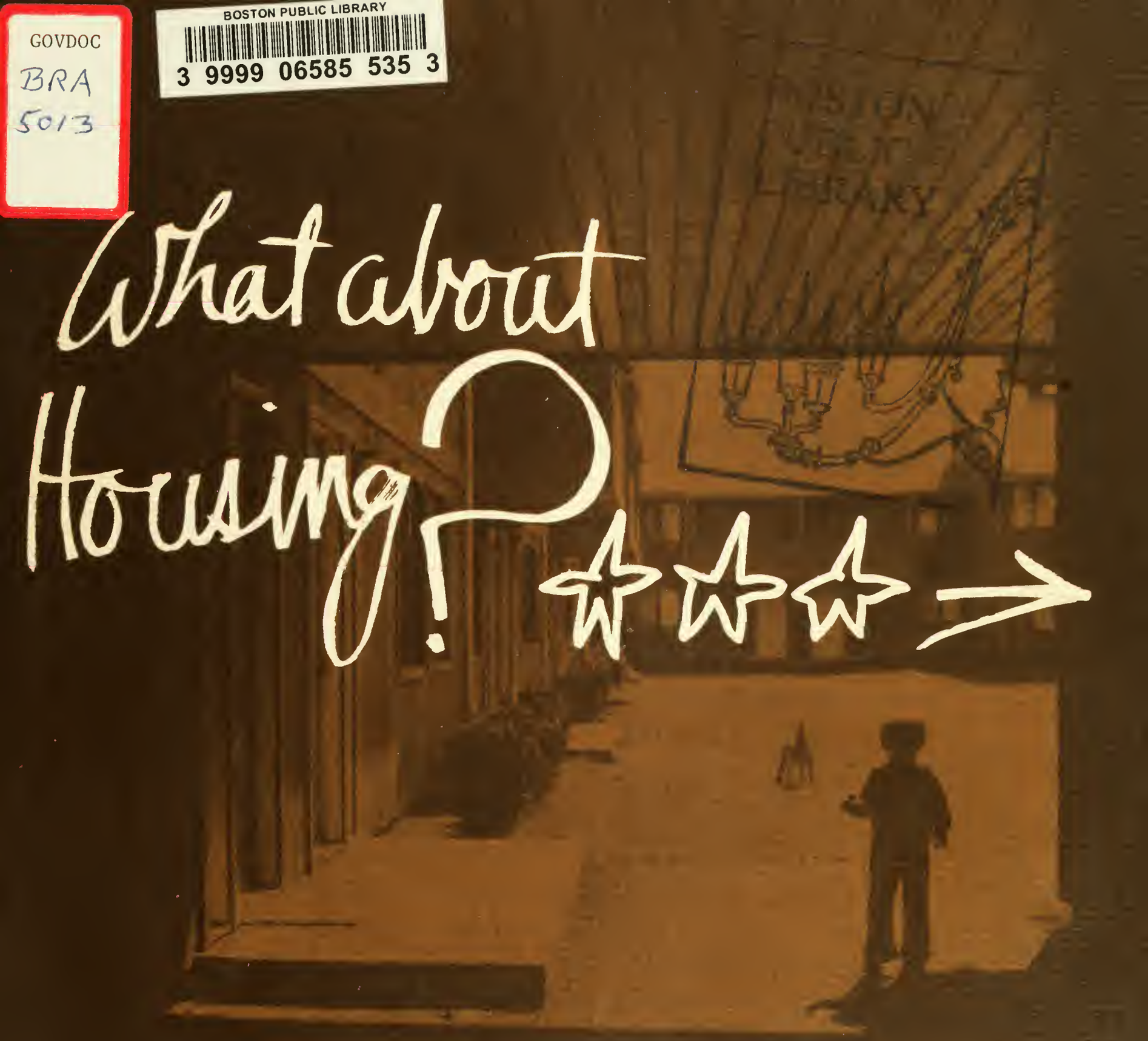
# What about Housing?



A guide to low, moderate and middle income housing programs for Massachusetts Communities

Housing!

March 14, 1972

Dear CHPA Member:

We introduce you to our new publication, "What About Housing?"

A few years ago we published a booklet "Stuff You Can Use" on low and moderate-income housing programs. It was certainly used and has been out of print now for sometime.

In its absence we found how really valuable a tool it was. From the continuous requests we received, it was clear that there is a real need for a compact book which reduces the maze of governmental housing programs to simple, clear language that anyone can understand. We've done it again with this book.

We anticipate it will fill a need for a wide-range of people who are curious, interested and active in doing something about housing in their communities: potential community sponsors, people seeking to establish a housing authority or monitoring an existing authority, groups and organizations seeking basic information.

We send you this free copy and hope you will make the existence of "What About Housing?" known. CHPA is taking orders now. Individual copies are $1.50; orders of from five to nine copies, $1.25 each; and orders of ten or more copies, $1.00 each.

. . . . . .

CHPA
7 Marshall Street
Boston, Mass. 02108

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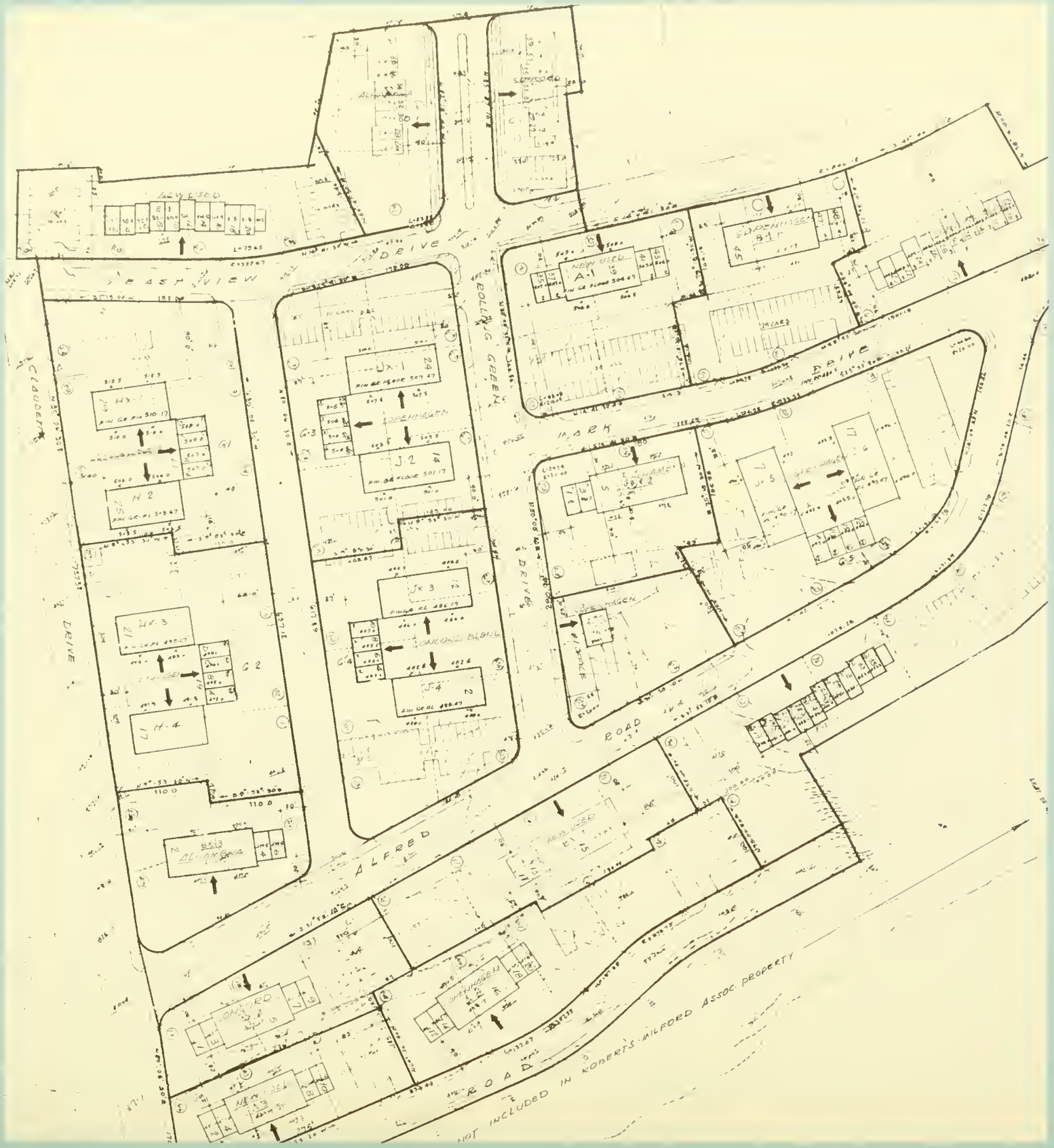
# What about Housing?

A guide to low, moderate and middle income housing programs for Massachusetts Communities



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# preface

There is probably no area of public affairs where good-will alone will get you so little as in low and moderate-income housing. Housing is a morass of complex programs administered by State and Federal Agencies and carried out by a number of different performers—conventional builders, lending institutions, local public agencies, non-profit and limited-dividend corporations. Without some basic knowledge of these programs and how they work, people concerned about housing in their local communities can go nowhere. With this booklet, we have provided a primer to guide you along the way to getting something done in your city or town.

The material was gathered from various public and private agency handbooks and by and large, from our experience at Citizens Housing and Planning Association in dealing with local community groups who have sought our help over the past few years. More detailed information is needed of course. But with this primer we are providing some basic knowledge of the major housing programs which should enable you to begin organizing yourselves to bring about a program to house low and moderate-income people in your community.

If you want further advice, feel free to call us:

*Citizens Housing and Planning Association*
*7 Marshall Street*
*Boston, Massachusetts 02108*

*742-3720*

Because of site costs, construction costs and other factors, some of the programs may not work in your particular situation. In housing, good intentions must be backed by skill and expertise. Much of it is available in this area. Besides ourselves, you can contact:

*Greater Boston Community Development, Inc.*

*Massachusetts Department of Community Affairs, Community Assistance Office*

*Massachusetts Housing Finance Agency*

*Metropolitan Area Planning Council Housing Development Office*

[1972]

# introduction

In Massachusetts, there are two primary State sources of housing programs for low, moderate and middle income families and the elderly. They are the Massachusetts Department of Community Affairs and the Massachusetts Housing Finance Agency. The first oversees and funds public housing programs; the second makes loans to private sponsors and developers of housing that is subsidized.

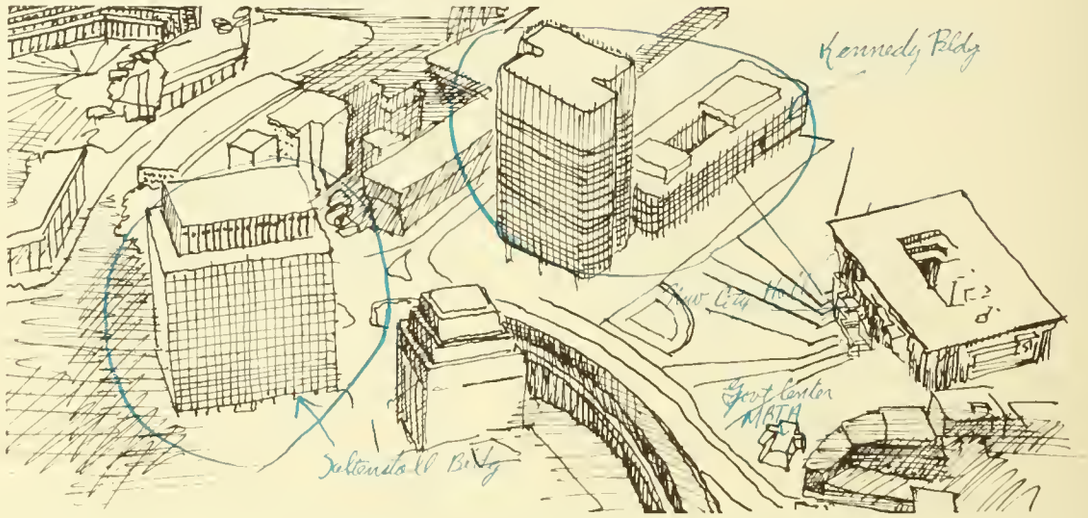
Federal programs for low, moderate and middle income housing are administered and funded by the U.S. Department of Housing and Urban Development, commonly referred to as *"HUD"*. Both public housing and other subsidized housing programs are under the Housing Production and Mortgage Credit Division. The low-rent housing section administers and funds public housing programs and the Federal Housing Administration *(FHA)* funds, makes loans and assures the financing of subsidized housing.

**The Massachusetts Department of Community Affairs is located on the fourteenth floor of the Massachusetts State Office Building, 100 Cambridge Street, and on the fifth floor, 141 Milk Street, Boston.**

**The Massachusetts Housing Finance Agency is located on the third floor of the Old City Hall, 45 School Street, Boston.**

**The U.S. Department of Housing and Urban Development and its member agencies are located in the John F. Kennedy Building on Cambridge Street, Boston in the Government Center and nearby in the Bulfinch Building, 15 New Chardon Street.**

Before you approach any of these sources, it would be advisable to have some knowledge of the kind of information that is offered in the following pages of this booklet.



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# the housing jargon

## (1.) low income

Refers to people whose incomes qualify them for admission to or occupancy of public housing in their city or town. Set locally by the housing authority. Not to be confused with public welfare income levels which are even lower.

## (2.) moderate income

Incomes of people which qualify them for housing which is subsidized by certain State and Federal programs. Up to thirty-five percent higher than local public housing income limits.

## (3.) public housing

Low-rent housing built, owned and managed by local housing authority with the Federal or State government paying money on the debt allowing the authority to charge low rents.

## (7.) interest rate subsidies

Federal or State programs which makes payments to the mortgage lender to reduce the interest rate on the mortgage being paid by the property owner. The Government pays the difference between the rent the tenant pays and the basic rent needed to meet the debt service on the housing unit. This method is also used to lighten mortgage payments for low and moderate-income homeowners.

## (8.) turnkey

Time and cost saving method of building housing by which private developer builds the housing with the agreement that upon completion, the housing authority will buy it from him. Thus the key turns over from the private developer to the public authority which buys a finished product.

## (9.) rehab

Rehabilitation or renovation of housing units. Housing programs can be used to rehabilitate units as well as to build new ones. Units rehabilitated into safe, sanitary condition add to the supply of decent housing.

If you are new to housing, do not be turned off by some of the terms that developers, public officials, planners and others use. Here are some brief definitions of some basic terms with which you should be familiar

### 4 low and moderate income housing

Housing built by private non-profit organizations or organizations which take a limited return on their investment. This housing is subsidized to reduce rents so low and moderate-income people can afford it

### 5 housing authority

Local public board which builds or buys, owns and manages public housing in the community and leases other units to meet the housing needs of low-income people in the city or town.

### 6 rent subsidy

Federal or State programs which pay the difference between what the low-income tenant can afford to pay for rent – using twenty-five percent of net income as a rule of thumb – and the actual rent being asked by the property owner

### 10 seed money

Funds needed by housing sponsors to pay expenses they run into in developing a project before they receive any mortgage money

### 11 packager

A consultant who is experienced in the construction or rehabilitation of housing through Federal and State low and moderate-income housing programs

# Housing!

The first thing to find out of course is whether your city or town needs a program for housing low and moderate-income people. In many communities it is not readily evident that there are people who cannot afford decent housing on their own. In cities and towns where the houses are primarily single-family homes, the idea of subsidized housing may never have been seriously entertained.

# who needs it?

To activate the community, you must then be able to document that there is a need. Pockets of deteriorated run-down houses may provide some visible evidence, but you must find out the number of people in the community who need help with housing, who would benefit from such programs. To do this, you should take a survey of the community's housing needs.

The 1970 Census figures on your community provide a start and there are local and outside resources that can help you. Groups in the community like the League of Women Voters and the Council on Aging can help as well as certain municipal departments. Model questionnaires and other aides can be obtained from the Housing Development Office of the Metropolitan Area Planning Council and the Community Assistance Office of the Massachusetts Department of Community Affairs.

# the housing authority

Basic to any low-income program in a city or town, is the existence of a housing authority. A five member board, the housing authority is the vehicle for building, buying or leasing housing for low-income people. It can enter into all sorts of contracts without the city or town being held responsible. It is empowered to study local housing needs and markets and to collect data on the population and family groups as to their incomes. It can look at the quality of available housing and its rental and sales prices. All the members are local people, four appointed or elected in the community, one appointed by the Governor.

Do not equate housing authorities with the huge public housing projects you see in the city. In fact most housing authorities are in smaller communities and their projects are limited and scattered. An imaginative local housing board can use programs to develop housing that will blend perfectly with the character of your community. The work you do in documenting a need for low-income housing in your city or town, can lead to the establishment of a local housing authority as a vehicle to meet that need. If you already have a housing authority, your work might activate it to be more innovative in the use of programs.

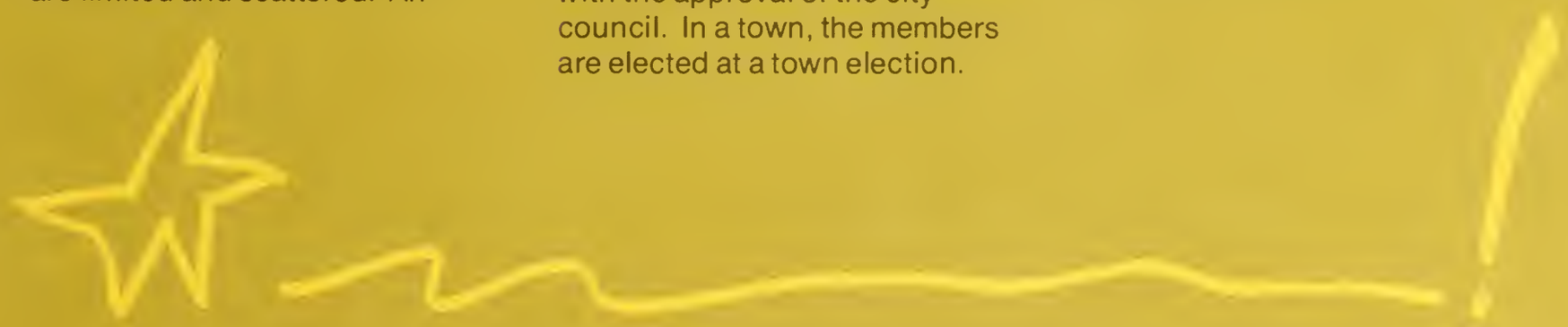
In cities, the city council votes to decide if there is to be a housing authority. The mayor must approve the decision. In a town, the town meeting votes on the establishment of a housing authority at the annual meeting or at a special meeting.

After the city or town has decided to have a housing authority, it must appoint four members. In a city, the mayor appoints them with the approval of the city council. In a town, the members are elected at a town election.

Until there is an election, the board of selectmen appoint people temporarily. To stagger the terms on the authority, one member is appointed or elected for one year, another for two years, another for three years, and another for four years. When terms expire, appointments or elections are for five years.

Once the four local appointees are chosen, the city or town contacts the Massachusetts Department of Community Affairs and the Governor's office to request the appointment of another local person to fill out the five-member board. The state member is named for a five-year term.

In Massachusetts, two or more cities or towns can work together to meet their housing needs for low-income people by agreeing to form a regional housing authority.



using public housing programs

Once the community has a housing authority, the board begins to look at the various Federal and State programs it can use to house eligible low-income people. These include programs for building housing, buying newly-constructed housing, buying and rehabilitating existing housing, using rent subsidies to help low-income people to meet their shelter costs.

The local authority makes a study of the local rental market and income levels to determine what constitutes low-income eligibility for admission and continued occupancy of public housing. The authority has flexibility in setting these limits although they are reviewed by State and Federal authorities. Generally tenants pay from twenty to twenty-five percent of their income for rent. By law, their rents are limited to twenty-five percent of their net incomes with utilities, or twenty percent without utilities.

The best known form of public housing is the Federally-assisted project for low-income families, or for low-income people who are handicapped, elderly, or displaced by public action. This program is run by the low-rent housing section of the Housing Production and Mortgage Credit Division of HUD. The housing authority builds, owns and operates the housing project.

The authority is able to rent the units at low rates because the Federal government makes payments which are called annual contributions to cover the capital costs—the annual interest and amortized principal debt—of the project. HUD also makes contributions to help the local authority with operational and maintenance expenses and to undertake modernization of the projects.

# the turnkey approach

The local authority can work with private developers to produce housing. By working with outside developers or sponsors, the authority can speed up production, cut production costs, and utilize the efficiency and expertise of experienced housing producers. The process is called Turnkey in that the ownership of the projects turns over from the private developer to the housing authority upon completion.

The local authority applies to HUD to reserve funds for the development of Turnkey units. The authority enters into an agreement with the developer or sponsoring group documenting that it has an annual contributions contract with HUD which will allow the authority to acquire the project when it is completed. This letter of intent enables the developer to obtain his financing for the project.

The private developer bids on the advertisement of the local authority for a Turnkey proposal. He assumes responsibility for acquiring the site and for planning and designing the project. Because the private developer does not have to comply with competitive bidding laws or the bureaucratic delays inherent in the usual way of producing public housing, he can deliver the housing much faster and at less cost.

State aided public housing!

In Massachusetts, local housing authorities can apply to the State Department of Community Affairs for funds to build scattered-site public housing for families. The program was established to provide new low-rent housing for families which is attractively designed and avoids heavy concentrations of low-income people in large single projects.

Projects built under this program are limited to one hundred units and development sites must be at least one-eighth of a mile from any other public housing family project. The design of the project must be compatible with the surrounding neighborhood. The authority can also buy and rehabilitate existing housing under this program.

Scattered Sites for families

# rent subsidies

Massachusetts also has a State-aided program for the elderly under which five percent of the units in any single development are set aside for the handicapped, regardless of their age. Your local housing authority applies to the Massachusetts Department of Community Affairs for funds to build elderly public housing.

Massachusetts is unique in the country in that it builds more housing through the state program than through the federal program.

for the elderly and handicapped

Three programs are available for subsidizing the rents of low-income people. Supplementing the rent-paying capacity of these people enables them to live in decent housing—existing private housing, new low and moderate-income housing, or newly rehabilitated housing. Two of these programs work through the local housing authority. They are the Federal Section 23 Leased Housing Program and, in Massachusetts, the State Rental Assistance Program. Another program is operated by the Federal Housing Administration—the Rent Supplement program.

If low-income people in your community are paying more than twenty-five percent of their income for housing and certain property owners with safe, standard units are willing to negotiate leases with their local housing authority, the authority should apply for funds to HUD under the Leased Housing program or to the Massachusetts Department of Community Affairs under Rental Assistance.

# leased housing

This program has been referred to in the past as *"Instant Housing"* because it provides low-income housing without having to build it. The housing that is leased remains on the tax rolls. The low-income family pays part of the rent—up to twenty-five percent of its income—and the federal government pays the rest through the housing authority. If there is no housing authority, town selectmen or city councillors can name a local committee to run the program.

The following steps can take place:

*Contact is made with HUD through its Boston office.*

*A survey of the local market is made to see what units are available. Real estate brokers and other sources of information are useful.*

*Apartment and multi-family house owners are invited to participate in the leasing of units.*

*Buildings are inspected to see if they are safe, decent, sanitary and meet minimum code standards. Leased units should be in satisfactory residential areas with access to public transportation, schools and shopping.*

*The city council or board of selectmen approves of community participation and application is made to HUD.*

*Leases are written including a tenant selection plan agreed upon by the local authority or committee and the landlord. The lease is for a period of between one and five years with provisions against discrimination in the renting of leased units.*

The housing authority or committee can use community people to locate apartments for leasing. You may want to aid the local authority in this way. A low-income family can locate its own apartment and lease it under the program if the housing authority approves it.

# rental assistance!

Massachusetts has a State program which parallels the Federal Leased Housing program. It is called Rental Assistance. The State program is quicker in that it does not have the red tape of the Federal program and you do not need approval of the city council or board of selectmen to implement it. If the local authority wants to use Rental Assistance, it simply sets up a program and a rent schedule and applies for funds from the Massachusetts Department of Community Affairs.

To implement Rental Assistance, the authority draws up a scale of how much it is willing to pay for housing in different neighborhoods based on market rents in the community. This estimate includes utilities, gas, heat, electricity. The Massachusetts Department of Community Affairs must review and approve the rent scale. The Authority then contacts local rental property owners. In some cases local citizen groups can aid the housing authority in implementing the program by contacting owners, finding available units, and informing low-income people in need of the program.

The Authority and the owners agree on tenant selection and sign the leases. Preference should go to those in most need with first preference to those displaced by public action, followed by large families and the elderly. Leases are signed by the authority with the owner and with the tenant and between the owner and the tenant. The authority guarantees monthly rental payments to the owner plus payments for extraordinary repair costs.

# the community

Housing can be built or rehabilitated by an interested group or organization in the community which forms a non-profit or limited-dividend corporation for this purpose. Such housing is for low and moderate-income people and is thus not limited to only those who are eligible for public housing. It can also house people whose incomes are not low enough for public housing, but who cannot comfortably afford private market housing either.

Churches, civic associations, civil or human rights organizations, tenant organizations and labor unions can sponsor this kind of low and moderate-income housing. In many communities churches and synagogues have worked together to form interfaith entities to sponsor housing. Community sponsors of housing are more responsive to local needs and can operate in many cases where an outside developer is unable to move in on situations where there are sensitive local problems to be dealt with in order to win local approval.

In your community you may find the right combination of skill and expertise to form a strong voluntary development team. The team should consist of skills in development, architecture, law, housing management, and financing. This group of local people forms the nucleus of the sponsoring organization and screens the various professional people and consultants who will actually undertake the project.

In most cases, the local effort will need to retain professional skill in the development of housing through Federal or State programs. Government programs require that sponsors have the capacity to both develop housing and manage it upon completion. Housing consultants, often referred to as *"packagers"* are experts in working with Federal and State housing programs. They can assist you in making important decisions, in coordinating the work of the various professionals on the project, and in guiding the project through the processing phases of Federal or State agencies. When the project is completed, you may also want to hire a professional manager, particularly one experienced in working with low and moderate-income people.

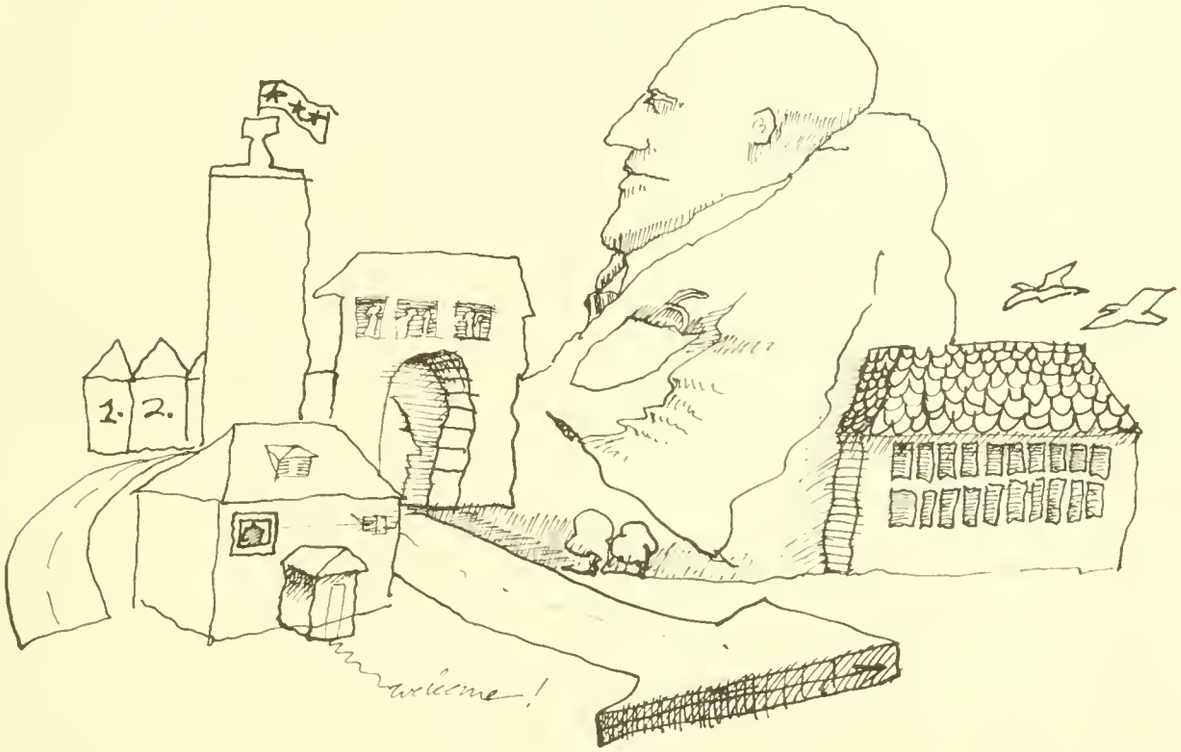
The community sponsor must also raise money to meet expenses incurred prior to receiving mortgage financing. These funds, referred to as *"seed money"* are needed to meet various professional fees—legal, architectural, engineering, surveying, cost estimating, organizational operating expenses. Seed money may be raised from local contributions such as an interfaith effort. Various private foundations may be approached or Federally-funded housing development corporations in cases where the housing is to be built in a low-income area of a city. Section 106(b) of the National Housing Act provides loans from the Federal Housing Administration. To qualify for a 106(b) loan, the sponsor and the proposed project are investigated and analyzed by FHA. Sponsors may also approach the National Non-Profit Housing Center in Washington.

seed money

# sponsor

Another approach to community-sponsored housing is to work with a profit-motivated developer or private passive investors who form a partnership with you. This may solve problems of lack of funds and technical expertise. Private investors can realize income tax advantages from entering into this kind of partnership. The investor, by claiming accelerated depreciation on the value of the project during the early years after completion, can be sheltered from taxation on income earned from other investments. This tax shelter is sufficiently attractive as an investment opportunity to many investors in high tax brackets. Under such ventures, the private investor may want to sell the project after the benefits of the accelerated depreciation have been realized.

Whatever route you take, your group and lawyer should also consult with the city or town on a basis for taxing your housing development. Remember, the higher your taxes, the more you will have to charge your tenants in rent. So you must work out a legal mechanism for taxes with the community. In Massachusetts, Chapter 121(a) of the General Laws provides a means to arrive at a tax arrangement.



# using low and moderate — income housing programs

There are two primary programs for use by non-profit and limited-dividend sponsors to build or rehabilitate housing for rent to low and moderate-income people. One is the Federal Section 236 Rental Housing program run by the Federal Housing Administration. The other is the rental housing loan program of the Massachusetts Housing Finance Agency.

## section 236

Section 236 came into being in 1968 replacing the Section 221(d)(3) program under which multi-family housing was widely produced throughout the 1960's. In urban renewal areas of the cities you can see many developments which were built under the "*d-3*" program.

With 236, the Federal government began to subsidize interest rates down to one percent by making payments to private lenders to reduce the interest rate met by the borrower Under 221 (d)(3) the government bought the project mortgage from the lender and charged the borrower three percent interest over 40 years 236 was started to achieve lower rents than were possible under 221 (d)(3)

A family is eligible to live in this housing if its income is not higher than thirty-five percent more than the admission limits for local public housing They can be no higher than ninety percent of the income limits of the old 221(d)(3) program. Under the program, you are allowed to set aside twenty percent of the units for low-income people using Federal Leased Housing or Rent Supplement funds to subsidize their rent. This allows you to house both low and moderate-income people in the 236 development.

Projects built or rehabilitated under 236 are financed at market interest rates by the private lending institution. The Federal government then makes payments to the lender which reduces the interest rate on the mortgage that you pay, to one percent. The housing can also be sold at a future time to low-income families by being switched over to a homeownership program. This should be kept in mind during the design stages of the project. Section 236 housing can also be built for cooperative ownership with tenants holding equity shares in the property.

# applying to the F.H.A.

The paperwork required for processing an application through FHA is often criticized as voluminous but it can be made routine through experience. To avoid delays which can prove damaging to the economic feasibility of the project, you should retain a packager. There are six basic steps in the FHA-processing route.

## pre-application conference

The sponsor presents basic information about the proposal to FHA. It includes site information—size and location of the parcel, land cost, zoning restrictions, traffic and utilities; project information—number and size of units, expected rental income, construction and land improvement costs, taxes; market information—local housing demand, prevailing rent levels, expected response of tenants to the project location.

## feasibility conference

The sponsor submits an informal application designed to establish feasibility and to ask for a conditional commitment for mortgage insurance. This includes information about the reputation and financial capability of the sponsor and proposed program for managing the housing after it is built or rehabilitated.

## conditional commitment conference

The private lender who is making the loan to the sponsor signs and submits the application at this stage. Submission includes preliminary architectural drawings and other exhibits.

## firm commitment conference

The private lender requests firm commitment after the architect has completed plans and specifications and has firm prices from contractor. Detailed estimate of all projected costs and fees.

## initial closing

A note of agreement between the lender and the sponsor to lend mortgage money at a particular interest rate is endorsed as insured by FHA. FHA reviews closing documents submitted thirty days earlier by sponsor's attorney.

## final closing

Lender, sponsor, and FHA sign final papers, FHA endorsing Secured Note for total mortgage amount.

Experienced developers with the necessary documents and exhibits can ask for a firm commitment skipping the feasibility and conditional commitment conferences. FHA also has an accelerated procedure for multi-family housing. Knowledgeable sponsors can seek one, two or three-stage processing.

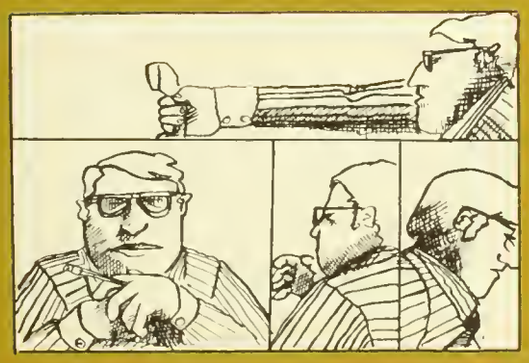
# Rent Supplement

The Rent Supplement program is different from Leased Housing and Rental Assistance in that it does not work through housing authorities or public committees. It is run by the Federal Housing Administration which makes payments to the property owner to aid people in low and moderate-income housing developments. It can be applied in newly-constructed or rehabilitated housing.

*"Rent Supp"* as it is often called, is used primarily in Section 236 subsidized housing. Payments are made to the developer or owner on behalf of the tenants living in a project which is financed in part by FHA. The developer-owner does not have to contact the local housing authority but the project must be approved by FHA before completion to qualify for Rent Supplement payments.

# Mass. Housing Finance Agency

Non-profit or limited-dividend sponsors and developers of housing in Massachusetts can apply for construction and mortgage loans to the Massachusetts Housing Finance Agency at interest rates lower than those of the normal market. Essentially, this independent Agency is a bank in the business of making loans to build up the supply of housing for people of low, moderate and middle-income in Massachusetts through new construction or rehabilitation. It can make loans at lower rates because it raises money by selling tax-exempt bonds and notes to private investors.



The major social goal of the Agency is to produce housing developments with people of varied mixed income levels and avoid the separation of low-income people into low-income projects. By law, at least one-fourth of the units in any development financed by the Agency must be for low-income people. The remainder of the units are for persons of various moderate-to-middle income. To achieve this mix the Agency utilizes the Federal and State rent subsidy and interest rate subsidy programs as well as scaling rents within the development. The Agency exercises flexibility in scaling rents to make the project work economically.

# applying to the MHFA.

## preliminary submission

If you want the MHFA to entertain an application for a housing proposal, you first have to submit information about the proposed site and the group or entity which is making the proposal. This initial submission should include a site map with a general plan and boundaries. Also information about the people responsible—the sponsor, developer, architect, lawyer, contractor, manager and various consultants—with supporting statements as to their contractual and financial arrangements.

## application

MHFA provides a form for the application. You will be asked to give complete economic information such as the incomes you expect to receive and the costs you expect to incur while developing the housing. You must show that you own or control the site; that you have a plan for selecting tenants and for managing and operating the housing when it is completed; that you have studied the local rent levels and that yours are marketable; that you have studied the locale and the impact of your housing physically and socially on the neighborhood and community. And you must submit a preliminary design with specifications on the quality of materials to be used.

## closing

MHFA provides your lawyer with an agenda of legal papers, instruments and documents that must be presented at the closing.

## construction

While the housing is being built or rehabilitated, MHFA will keep in touch with you, your architect and your contractor. The Agency requires you to observe its scheduled program of inspections to assure compliance with the plans and specifications.

## rent up and occupancy

Once completed, the project then focuses on tenant selection. You must conform to your plan for choosing tenants and your plan for managing the property. If people have been displaced as a result of your project, you must give them an opportunity to move into the new project.

# homeownership

There are also programs which make it possible for low and moderate-income people to purchase homes. In some communities, a homeownership program may be workable rather than a rental housing program given the kind of existing housing that is available. Homeownership programs can be designed for either individual purchases by low and moderate-income families or for a project by a non-profit or limited-dividend corporation which builds or rehabilitates housing and makes it available for purchase by the families.

Section 235 which was established by HUD in 1968, is the homeownership counterpart of the Section 236 rental program. The main difference is that the interest rate subsidy payments made by HUD to the lending institutions subsidize the interest rate of the individual home mortgage. A minimum down payment of $200 is required on the house. The payments from HUD make up the difference between twenty percent of the family's monthly income and the payment necessary to meet the principal, interest taxes and insurance on the house.

Again, non-profit and limited dividend housing sponsors should keep homeownership in mind when they design new housing. In many cases, sponsors have found it advantageous to build under the Section 236 rental program and convert to the 235 program later to allow purchase of the units.

Under 235, single or two-family houses are eligible as well as single apartments in a multi-family apartment building which could be purchased as part of a condominium.

# Section 235

Purchase limitations allowed under Section 235 may make the program unworkable in many communities. They are $21,000 for a home for a family of four or less; $24,000 for a home for a family of five or more. Houses purchased should be throughly inspected to assure that it is in good condition.

Basically, the income of the household must be high enough to meet its share of the monthly payments and low enough for eligibility—not higher than thirty-five percent above the local public housing limit.

Section 235 (j) provides funds for sponsors to rehabilitate existing housing for sale to low and moderate-income families. A homeownership project undertaken by a sponsor must have at least four units in either single or two-family houses or in a multi-family apartment building.

Homes purchased for rehabilitation cannot be in such poor condition that the cost of renovating them makes the purchase too high for low and moderate-income families. A two-family house can be purchased for up to $24,000 with a $30,000 limit in high cost areas.

Again, the cost limits for purchase and the fact that the program does not cover three-family houses may make a home-ownership program unworkable in your community. But in some communities it can be a worthwhile undertaking.

In Massachusetts, the Massachusetts Housing Finance Agency has been authorized to initiate a state homeownership program.

# the zoning appeal

In Massachusetts, local public agencies such as housing authorities or redevelopment authorities, as well as non-profit or limited-dividend sponsors and developers, can appeal to the State if their plans for housing development are rejected locally. A 1969 Massachusetts law, commonly referred to as the anti-snob zoning law, allows the sponsors to present all their plans at once at a comprehensive permit hearing before a local appeals board. Using this procedure housing sponsors do not have to seek approval from the city council or the town meeting.

The law established a State Zoning Appeals Committee in the Department of Community Affairs which hears appeals publicly. The State Committee is appointed by the Governor and has the following members: one town selectman, one city councillor, one member of the Department of Community Affairs, and two members from the public at-large.

The intent of the law is to make sure that local cities and towns do not deny permits to build housing on grounds that are

unreasonable or inconsistent with local housing needs. Local communities must show that in rejecting the housing that it is economically infeasible, or that certain physical problems with the site and the vicinity make it unworkable, or that local needs for subsidized housing are already being met. The law established guidelines for either ten percent of the housing units in a community or of one and a half percent the land to be used for housing low and moderate-income people.

To make an appeal under this procedure, the sponsor must first apply to the local Board of Appeals for a comprehensive permit hearing. The application should include the qualifications of the housing sponsor; a commitment for financing through a Federal or State program; presentation of materials demonstrating that the proposal is reasonable in terms of zoning, parking, open space, sewerage, soil and drainage, traffic generation, fire prevention facilities, and other pertinent local physical and social considerations.

If the proposal is rejected by the local Board, the sponsor then should make application for a hearing to the State Zoning Appeals Committee. The application should include essentially the same materials as submitted to the local Board. The Committee will set up a date for the opening hearing. It hears presentations from both the sponsoring group or developer and the local community. It also makes a visit to the proposed site or sites before rendering its decision.

# codes and rehab

In some communities the Federal government spends money in an effort to curb the deterioration of housing and to assist the local government to enforce laws to maintain housing at standards of health and safety. This is called concentrated code enforcement and grants under the program are given to cities or other municipalities. Locally these funds are administered by the local agency which enforces the codes. This can be the housing inspection department, building department or other such agency.

For a community to be eligible for this kind of aid, it must have a comprehensive system of codes with nationally-recognized standards and requirements acceptable to HUD. It should have a comprehensive plan for improving the existing housing in the community and for the use of code enforcement money in particular areas. It must also have an overall plan and program for community improvement. Using this money, the city designates certain neighborhoods upon which to concentrate its efforts to curb deterioration and enforce codes.

People who live in areas which are designated for code enforcement, can receive loans and grants to fix up their homes to decent living condition. These are the Section 312 Loan and Section 115 Grant programs.

rehab loans and grants

An owner of a property in a code enforcement area can apply for a loan under this program. While owners of all income levels are eligible, preference is given to those owners whose incomes do not exceed moderate-income limits. The loans are for twenty years at three percent interest rate and cannot exceed $12,000. For rehabilitating large buildings, the loans are limited to $12,000 per unit. In high cost areas, the limit on 312 loans is forty-five percent higher, or $17,400.

section 312 loans

The amount of the loan must be enough to bring the unit up to standard code condition and the recipient of the loan must show that he has the financial capacity to repay it. The money must be spent on repairing code violations, preventing potential violations, improvements to reduce heating or other costs, and general property improvements. Owner-occupants can spend forty percent of the money on general improvements while absentee owners can spend only twenty percent on general improvements. With the city's approval the owner can hire a contractor from a list provided by the city, or he can do the work himself provided he carries insurance for workmen's compensation, public liability and property damage.

# section 115 grants

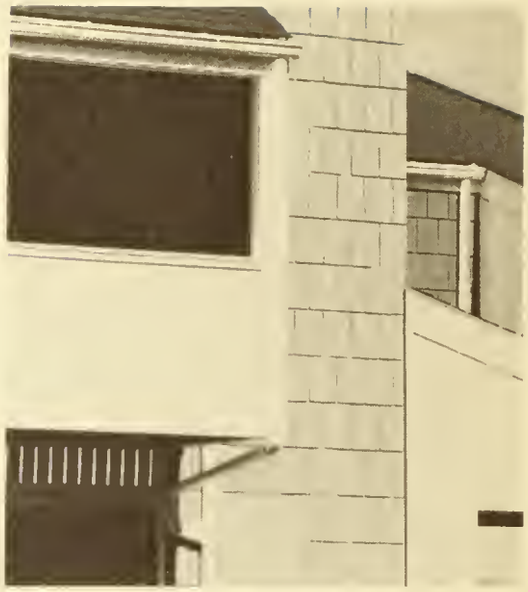
Low-income home owners in code enforcement areas are eligible for direct grants of up to $3,500 to correct code violations on their property or to prevent potential violations. These grants are available to people whose incomes are no higher than $3,000 per year or whose housing costs exceed twenty-five percent of their income—housing costs include mortgage, taxes, insurance, utilities and some routine maintenance.

The grant may not exceed what it costs to bring the property up to standard condition and may not be more than the amount needed to bring the monthly housing cost down to twenty-five percent of the owner's income.

Section 312 Loans and Section 115 Grants are also available to property owners in Urban Renewal areas.

# the workable program

Some of the Federal programs contained in this booklet, cannot be instituted in a community unless it has a *"workable program"* for community development. A workable program is a master plan for the city or town which sets future goals. Before funds for specific programs can be allocated, the city or town must demonstrate that they are part of the overall workable program.



The community's workable program must be submitted to HUD for renewal every two years. For renewal, the community must show that it has made some progress toward its goals. The workable program must also be approved by the town board of selectmen or city council.

In the past few years, HUD has removed the workable program requirement from low and moderate-income housing. It is still required for implementation of Federal public housing including development through Turnkey, or leased housing.

Workable programs are more applicable in communities undertaking urban renewal or code enforcement. A workable program has four major elements:

**Planning and programming.**

**Codes and code enforcement.**

**Housing and relocation.**

**Participation of citizens in the planning of the community.**

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The following housing developments appear in photographs in this book: in Stoughton, Presidential Courts *(Federal 236)*; in Franklin, Glen Meadow at Franklin *(MHFA)*, in Lowell, Westminster Village Arms *(MHFA)*, in Milford, Rolling Green at Milford *(MHFA)*.

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